

VZCZCXRO4801
OO RUEHAG
DE RUEHAK #5699 2721301
ZNY CCCCC ZZH
O 291301Z SEP 06
FM AMEMBASSY ANKARA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9094
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHKB/AMEMBASSY BAKU 1413
RUEHSI/AMEMBASSY TBILISI 3065
RUEHMO/AMEMBASSY MOSCOW 5485

C O N F I D E N T I A L ANKARA 005699

SIPDIS

SIPDIS

EUR FOR DAS BRYZA, S/P FOR STEVE HELLMAN

E.O. 12958: DECL: 10/01/2011

TAGS: [ENRG](#) [PINR](#) [AJ](#) [TU](#)

SUBJECT: TURKS NEED MORE CONVINCING ON SOUTHERN GAS CORRIDOR

REF: A. ANKARA 5611

[1B.](#) ROME 02699

Classified By: CDA Nancy McEldowney. Reasons 1.4 (b) and (d).

[¶1.](#) (C) Summary. As we work to convince Turkish officials to connect with Azerbaijani counterparts to develop a framework for the transit agreement needed to create a natural gas "southern corridor," to Europe, Post continues to hear skepticism and reservations about some of the fundamental premises of the concept. NIO Amb. Kauzlarich's October 8-12 meetings in Ankara will be another chance to address with senior energy officials the big picture concerns and misperceptions that may be impeding Turkish action. This could be followed up by a technical political/economic briefing by USG energy experts. The mooted IEA-hosted meeting that would bring together all the parties is another opportunity. End Summary.

[¶2.](#) (C) Energy Ministry Under Secretary Sami Demirbilek summed up his questions in a September 28 meeting. Foreign Ministry officials are less blunt, but we hear the same types of questions in our meetings with them.

-- Not enough gas: Most consistently, Turkish officials say they are not convinced that Azerbaijan has sufficient current or prospective gas reserves to meet its own needs and to export. The Turks tell us they hear different things from us, from companies like BP and Statoil, and from the Azerbaijanis about the potential of Shah Deniz phases I and II. Thus, they continue to prioritize trans-Caspian sources (as MFA DDG Rende did in a recent lunch we hosted with EU diplomats - ref a). This dilutes the emphasis on working with Azerbaijan.

-- Not a meaningful counterweight to Gazprom: More fundamentally, Turkish officials say that even if the most expansive claims about Azeri reserves are true, this would only be enough to slightly dent Gazprom's control of gas supply to Europe. Demirbilek argues that if one supplier (Russia) controls 95% instead of 100% of the supply, the marginal supplier does not affect the commercial or political balance, particularly when the large supplier has almost unlimited potential to feed the market while the marginal supplier's potential is capped.

-- Not politically feasible. Recalling the years of political spadework that it took to create BTC, Turkish officials tell us they wonder if the political will exists to create another major multi-country project. Demirbilek asked for example, if potential suppliers would not just conclude that the effort to get their gas to Europe was just too hard.

¶3. (C) These are the same basic doubts we have been hearing since we began talking to the Turks about Azeri gas for Europe earlier in the year. They do not seem to have been compelled by the logic of the idea in the interim. Turkey has a long-standing strategic and foreign policy objective of developing its role as a gas and energy hub and creating alternatives to Russian and Iranian gas, as Ministers Gul and Guler have told us repeatedly. A more concerted effort to lay out the big picture as well as basic facts and figures about Azeri gas and our assessments of the political practicality of the initiative could help make obvious to them that working with the Azerbaijanis on a transit arrangement now is the only way forward. Arming Ambassador Kauzlarich to answer the questions above in meetings with Guler and MFA officials would be an immediate first step that could be followed by more in depth economic/political briefings by USG energy experts.

Visit Ankara's Classified Web Site at
<http://www.state.sgov.gov/p/eur/ankara/>

MCELDOWNEY